Deutsche Börse

To the Members of
DTB Deutsche Terminbörse

Deutsche Börse AG

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Introduction of a Jumbo Pfandbrief Future on DTB

Circular No.: 28/97

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Dear Sir/Madam,

Following the approval of the DTB Exchange Council for the corresponding changes to the DTB Rules and Regulations, we are taking the opportunity to send you important information on the beginning of trading for the Jumbo Pfandbrief Future on DTB.

Chairman of the Supervisory Board:
Dr. Rolf-E. Breuer

Executive Board:
Dr. Werner G. Seifert (CEO)
Jürgen Blitz
Dr. Reto Francioni
Dr. Jörg Franke
Paul Gerbecks

Stock corporation registered in Frankfurt/Main
Commercial Register No. 32232
Frankfurt District Court

1. Launch date

The Jumbo Pfandbrief Future will be introduced for trading on DTB on Monday, **July 6, 1998**. As of this date, you can trade in the next three quarterly months (SEP98, DEC98, MAR99).

2. Trading hours

The trading hours for the Jumbo Pfandbrief Future have been set as follows:

Pre-Trading	7.30 – 8 a.m.
Trading	**8 a.m. to 5.30 p.m.**
Post-Trading	5.30 – 7.30 p.m.

3. Contract specification

The final contract specifications are attached with this letter as Enclosure 1.

4. Trading and clearing conditions

Please find attached as Enclosure 2 and 3 the corresponding regulations for trading and clearing conditions.

5. Business and transaction fees

In Enclosure 4 you will find a price list for the Jumbo Pfandbrief Future

6. Margin rates, margin types, margin group

The margin rate for the JUMB margin class is 110 ticks (DM 2,750). The spread rates for the back month are set at DM 350 and at DM 500 for the spot month. As of its launch, the Jumbo Pfandbrief Future will be included in the BUBO margin group. This appropriately takes into account the countervailing risks for the Jumbo Pfandbrief, Schatz, Bobl and Bund futures. This places a far lower strain on liquidity than individual collateralization for the margin classes. The offset factor for the BUBO margin group remains unchanged.

7. Rating agencies

Moody's, Standard & Poors and Fitch-IBCA are approved rating agencies.

8. Crossing rule

In line with item 1.3.3 para. 5 of the DTB Conditions for Trading, the minimum order lot for cross and pre-arranged trades with the Jumbo Pfandbrief Future shall be 300 contracts.

9. Mis-trade rule

The decisive interval for mis-trades in the sense of item 1.3.2 of the DTB Conditions of Trading shall, in the case of trading with Jumbo Pfandbrief Futures, be set at 20% of the initial margin (18 ticks).

10. Transaction limits

The transaction limits are set at 12,000 transactions per participant per day.

11. Market order matching range

The market order matching range shall be five ticks.

12. Designated market maker and designated broker

The following DTB members are approved as designated market maker and designated broker:

Designated market makers	Designated brokers
1. Bayerische Hypotheken- und Wechselbank AG	1. BfG Bank AG
2. Bayerische Vereinsbank AG	2. Commerzbank AG
3. Commerzbank AG	3. Deutsche Bank AG
4. Deutsche Bank AG	4. Dresdner Bank AG
5. DG Bank	5. FIMAT Internationale Banque S.A.
6. Dresdner Bank AG	6. Lehman Brothers Bankhaus AG
7. Norddeutsche Landesbank	7. Merrill Lynch Capital Markets Bank Ltd.
8. Westdeutsche Landesbank	8. MTH Ireland Ltd.

13. Prohibition on increases in issues

It has been agreed with the issuers of Jumbo Pfandbriefs that for the duration of the Jumbo Pfandbrief Future's maturity, no increases will be made in bonds deliverable for the future during the period defined by Deutsche Börse AG, i.e. between fixing of the delivery basket and the last day of trading.

By resolution of DTB General Management, any violation of this agreement will lead with effect from the next expiry date to removal of the corresponding issue from the delivery basket for the future.

14. Cheapest to deliver

Owing to the specific conditions of the Jumbo Pfandbrief market, we can assume that the cheapest-to-deliver bond will change relatively frequently. We have therefore decided that no Jumbo Pfandbrief will be displayed as cheapest-to-deliver in the deliverable bond maintenance screen (K055) in the DTB system. This decision will be re-assessed after expiry of the first tradable quarterly month.

15. Switchover to euro

With the introduction of the euro, a change will be necessary in the Jumbo Pfandbrief Future which will then be being traded on the DTB/EUREX platform. The same conversion procedure will be used as that for the BUND, BOBL and SHAZ futures (parallel listings).

For the procedure, the last tradable series of Jumbo Pfandbrief Future denominated in deutschmarks will be the March 1999 expiry month, with the last day of trading March 8, 1999. In other words, with expiry of the September 1998 series on September 8, 1998 no new series of this product will be introduced.

Parallel to this, in September a Jumbo Pfandbrief Future will be launched on DTB/EUREX denominated in ECU and with March 1999 as the first contract month. This contract will be automatically switched over to euro on January 1, 1999 at a ratio of one-to-one.

16. Preparations for beginning of trading

- On July 2, 1998 (Thursday), the Jumbo Pfandbrief Future (DTB code: "JUMB") as well as the JUMB margin class will be established in the DTB trading system. Corresponding back office transactions will be forwarded electronically.

- After 5.30 p.m. on July 3, 1998 (Friday) settlement prices will be distributed for all contract months of the Jumbo Pfandbrief Future totaling DM 0.01. Moreover, transactions will be generated for the PMI file. As part of daily transmission of theoretical prices, theoretical prices will likewise be sent out for the Jumbo Pfandbrief Future. We would ask you to ignore them.

- On **July 6, 1998** (Monday) trading will commence in the Jumbo Pfandbrief Future. Orders can be inputted into the DTB system as of **7.30 a.m.**.

Should you have any queries, feel free to contact one of our help desks at any time:

Technical Help Desk

++49-69-2101-1200

Functions Help Desk

++49-69-2101-12 40 Trading
++49-69-2101-1250 Clearing

With best wishes

Dr. Jörg Franke

Ralf Dreyer

Enclosures

Deutsche Terminbörse **Enclosure 1**

S p e c i f i c a t i o n s

- Future on a Notional Medium-Term Jumbo Pfandbrief of Private Mortgage Banks or Financial Institutions under public law (Jumbo-Pfandbrief-Future) -

Contract Standard	Medium-term notional Jumbo Pfandbrief issued by Private Mortgage Banks (Hypothekenbanken) or Financial Institutions under public law (Öffentlich-rechtliche Emittenten) with a term of 3.5-5 years and a notional coupon of 6%.
Settlement	A delivery obligation arising out of a short position in a Pfandbrief futures contract may only be performed by the delivery of Jumbo Pfandbriefe designated by DTB - specifically, Mortgage Pfandbriefe and Pfandbriefe under public law issued by Private Mortgage Banks (Hypothekenbanken) or Financial Institutions under public law (Öffentlich-rechtliche Emittenten) with a remaining term of 3.5 - 5 years. A fixed coupon bond format, a minimum issue amount of at least DM 1 billion and a AAA rating for each issue is required. With the issuance of Jumbo-Pfandbriefe at least three financial institutions must have been named by the issuer as market makers in the cash market .
Delivery Basket	The final fixing of the basket of deliverable Jumbo Pfandbriefe will be carried out on the last exchange trading day of the calendar month prior to the delivery month. The first exchange trading day of a new Jumbo-Pfandbrief with a AAA rating must not be later than the last exchange trading day of the calendar month prior to the delivery month to be included in the delivery basket of the next delivery month. The value date of an increased tranche with a AAA rating of a Jumbo Pfandbrief must not be later than the last exchange trading day of the calendar month prior to the delivery month to be included in the delivery basket of the next delivery month. In case of an up-/downgrading of its rating before the final fixing of the delivery basket the respective Jumbo Pfandbrief will be immediately included in/excluded from the delivery basket of the next delivery month. In case of a downgrading of its rating after the final fixing of the delivery basket the respective Jumbo Pfandbrief will remain included in the delivery basket of the next

basket of the	delivery month but it will be excluded from the delivery following delivery months.
will not be	In case of an upgrading of its rating after the final fixing of the delivery basket the respective Jumbo Pfandbrief included in the delivery basket of the next delivery month but it will be included in the delivery basket of the following delivery months.
Contract Size	DM 250,000.
Quotation	In a percentage of the par value, with two decimal places.
Minimum Price Movement	0.01 percent, representing a value of DM 25.
Delivery Months	The three nearest quarter-end months in the cycle March, June, September, December.
Notification	Clearing Members with open short positions must notify DTB by the end of the Post-Trading Period on the last trading day in the delivery month of the futures contract which Jumbo Pfandbrief they will deliver.
Last Trading Day	Two exchange trading days prior to the delivery day of the relevant quarter-end month. Trading in the contract for this delivery month ends at 12:30 p.m. Frankfurt time.

S p e c i f i c a t i o n s

- Future on a Notional Medium-Term Jumbo Pfandbrief of Private Mortgage Banks or Financial Institutions under public law (Jumbo-Pfandbrief-Future) -

Daily Settlement	For each contract, profits and losses arising out of open positions on any trading day will be determined at the end of the Post-Trading Period and credited to or debited from the internal cash clearing account. For open positions from the previous exchange trading day, the amount to be credited or debited is equal to the difference between the daily settlement prices of the contract on the relevant exchange trading day and the previous exchange trading day. For trades on the relevant trading day, the amount to be credited or debited is equal to the difference between the price at which the trade was concluded and the daily settlement price for this day.
Daily Settlement Price	The average of the prices of the five last trades, or if more than five trades have occurred during the final minute of trading, the average of the prices of all trades that occurred during this period. If it is not possible to determine a price under these conditions, or if the price so determined does not reflect the true market conditions, DTB will set the settlement price.
Delivery Day	The delivery day is the 10th calendar day of the respective quarter-end month if this day is an exchange trading day, otherwise the next succeeding exchange trading day. Delivery is made through Deutsche Börse Clearing AG.
Exchange Delivery Settlement Price (EDSP)	Calculated in the same manner as the "daily settlement price", but determined at 12:30 p.m. Frankfurt time on the last trading day.
Margin	DTB determines the daily margin requirement using its Risk-Based Margining method.

2 Part

Contract Specifications

2.1 Subpart

Contract Specifications for Futures Contracts

2.1.11 Sub-Subpart

Specifications for Futures Contracts on a Notional Medium-Term Jumbo Pfandbrief (Medium-Term Jumbo Pfandbrief Futures)

2.1.11.1 Subject Matter of Contract

(1) A medium-term Jumbo Pfandbrief future is a futures contract on a notional Jumbo Pfandbrief with a term of three and one-half to five years and an interest rate of 6%. The par value of any such contract is DM 250,000.

(2) After the close of trading in the contract, the seller of a medium-term Jumbo Pfandbrief future shall be required to deliver Jumbo Pfandbriefe with the nominal value of the contract. Delivery may only be made with Jumbo Pfandbriefe which have a remaining term of three and one-half to five years and which have an AAA rating. The acknowledged rating agencies shall be determined by the Board of Management of the Deutsche Terminbörse. Jumbo Pfandbriefe consist of Mortgage Pfandbriefe and Public Pfandbriefe issued by Private Mortgage Banks (Hypothekenbanken) or Public Sector Financial Institutions (Öffentlich-rechtliche Emittenten) with a minimum issue volume of DM 1 billion and a straight bond format. In addition thereto, the issuers must name at least three institutions as market makers for the cash market.

The purchaser shall be required to pay the tender price. The tender price shall be equivalent to the nominal value of the contract, multiplied by the price of the contract at the close of trading in the contract, multiplied by the conversion factor for Jumbo Pfandbriefe tendered, plus interest accrued since the last interest payment date.

2.1.11.2 Term, Close of Trading

(1) Terms expiring on the delivery day of the next, next succeeding and second succeeding delivery months are available at the Exchange; the longest term of a contract is thus nine months. Delivery months are the quarter-end months March, June, September and December.

(2) The last trading day of a contract shall be two Exchange days prior to the delivery day (subsection 2.1.11.4) of the relevant quarter-end months. Trading shall end at 12:30 p.m. on the last trading day.

2.1.11.3 Price Gradations

The prices of the contracts shall be quoted in the form of a percentage of its par value, with two decimal places. The minimum change in price ("Tick") shall be 0.01 percent (DM 25).

2.1.11.4 Performance, Delivery

(1) The delivery day shall be the tenth calendar day of the respective quarter-end month; provided, however, that if such day is not an Exchange day, delivery shall occur on the next succeeding Exchange day.

(2) The Jumbo Pfandbriefe that may be used to perform medium-term Jumbo Pfandbrief futures as well as the conversion factors to be applied thereto shall be determined by Deutsche Börse AG and shall be made available to the Exchange Participants on a screen display. The conversion factor adapts the price of the Jumbo Pfandbriefe available for delivery to that of the contract at the end of trading. The Jumbo Pfandbriefe identified for performance must, at the time of delivery, have a remaining uncallable term of three and one-half to five years.

In the case of issuing new contracts, Deutsche Börse AG may, in exceptional cases, fix anew the basket of deliverable Jumbo Pfandbriefe.

(3) Deliveries shall be effected between the Clearing Members and Deutsche Börse AG. Each Clearing Member shall be responsible for deliveries to the Non-Clearing Members served by it and its own customers; the performance of deliveries by Non-Clearing Members to their customers is the responsibility of the Non-Clearing Members. Exchange Participants may only effect onward deliveries of debt securities that have been allocated to their Agent Position Accounts or designated for delivery by their customers.

2.1.11.5 European Economic and Monetary Union

If the Federal Republic of Germany participates in Stage 3 of the European Economic and Monetary Union (EMU) on January 1, 1999 or later, the delivery pursuant to subsection 2.1.11.1 paragraph (2) of all option series of the medium-term Jumbo Pfandbrief futures, whose last trading day is on a date after the initiation of participation by the Federal Republic of Germany in EMU, may be made with effect from such date with the respective Euro value instead of the nominal value of the contract.

2 Part

Settlement of Transactions

2.1 Subpart

Settlement of Futures Contracts

2.1.11 Sub-Subpart

Settlement of Futures Contracts on a Notional Medium-Term Jumbo Pfandbrief (Medium-Term Jumbo Pfandbrief Futures)

2.1.11.1 General Provisions

The regulations under subsection 2.1.1.1 shall apply mutatis mutandis.

2.1.11.2 Daily Settlement

The regulations under subsection 2.1.1.2 shall apply mutatis mutandis.

2.1.11.3 Collateral Requirements

The regulations under subsection 2.1.1.3 shall apply mutatis mutandis.

2.1.11.4 Performance

(1) A delivery obligation arising out of a short position in a medium-term Jumbo Pfandbrief futures contract may only be performed by the delivery of Jumbo Pfandbriefe designated by Deutsche Börse AG. The point of time of the delivery of Jumbo Pfandbriefe shall be fixed by Deutsche Börse AG.

Delivery may only be made with Jumbo Pfandbriefe which have a remaining term of three and one-half to five years and which have a AAA rating (pursuant to subsection 2.1.11.1 paragraph (2) sentence 3 of the Conditions for Trading at the Deutsche Terminbörse). The Jumbo Pfandbriefe must have a minimum issuance volume of DM 1 billion and a straight bond format. In addition thereto, the issuers must name at least three intitutions as market makers for the cash market in the case of issuing Jumbo Pfandbriefe.

In the case of issuing new contracts, Deutsche Börse AG may, in exceptional cases, fix anew the basket of deliverable Jumbo Pfandbriefe.

Clearing Members with open short positions must notify Deutsche Börse AG after the close of trading but before the end of the Post-Trading Period on the date that is two Exchange days before the tenth calendar day of a quarter-end month (the "Notice Day") which Jumbo Pfandbriefe they will deliver. Any prior delivery notices may be amended until the end of such Post-Trading Period. If the delivery notice is not given in a timely manner, Deutsche Börse AG will select the Jumbo Pfandbriefe to be delivered by such Clearing Member.

One day prior to the delivery day the Clearing Members must confirm to the Clearing House in writing the actual availability of the of debt securities which they have notified.

(2) Deutsche Börse AG will, after the end of the Post-Trading Period on the Notice Day, allocate to the Clearing Members with open long positions the Jumbo Pfandbriefe notified for delivery, using a selection procedure that ensures the neutrality of the allocation process. The Clearing Members will be informed on the next Exchange day as to which Jumbo Pfandbriefe were allocated to them and at what tender price (subsection 2.1.11.1 paragraph (2) sentence 2 of the Conditions for Trading at the Deutsche Terminbörse).

(3) Paragraphs (1) and (2) shall apply to the legal relationship between General Clearing Members or Direct Clearing Members and their Non-Clearing Members; paragraph (2) shall apply mutatis mutandis to the legal relationship between Clearing Members or Non-Clearing Members, as the case may be, and their respective customers.

2.1.11.5 Default in Delivery or Payment

The regulations under subsection 2.1.1.5 shall apply mutatis mutandis.

2 Transaction Fees

For transactions pursuant to subsection 1.5.2 of the Clearing Conditions, Deutsche Börse AG shall charge

2.1 the following fees with respect to futures contracts:

2.1.11 Medium-Term Jumbo Pfandbrief Futures

with respect to medium-term Jumbo Pfandbrief futures, fees for:

a. order matching		
- trade	per contract	DM 0.50
b. trade administration		
- trade separation	per transaction	DM 0.00
- trade adjustment	per transaction	DM 0.00
- trade transfer	per transaction	DM 0.00
c. position administration		
- position closing adjustment if these do not take place between 1:30 p.m. on the day of trade and before 1:30 p.m. of the following trading day	per transaction	DM 1.00
- position transfer	per transaction	DM 0.00
d. settlement of trades and positions		
- determination of the bonds to be delivered (notification)	per contract	DM 0.50
- adjustment of the selected bonds (notification adjustment)	per transaction	DM 4.00
- allocation of the bonds to be delivered (allocation)	per contract	DM 0.50

3 Default Fees

Deutsche Börse AG shall assess a handling fee per transaction in the amount of DM 150.00 for the supervision and processing of untimely deliveries and payments in accordance with subsections 2.1.1.5, 2.1.2.5, 2.1.3.5, 2.1.4.5, 2.1.5.5, 2.1.6.5, 2.1.7.5, 2.1.8.5, 2.1.9.5, 2.1.10.5, 2.1.11.5, 2.2.1.5, 2.2.2.5, 2.2.6.5, 2.2.7.5, 2.2.8.5, 2.2.9.5 and 2.2.10.5 of the Clearing Conditions.